



**District of Columbia  
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Housing and  
Community  
Development**

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# APPLICATION SUBMISSION PACKAGE

## *Development Finance Division (DFD) Financing Application*

Issue Date: August 15, 2002

Closing Date: October 15, 2002



*The District Department of Housing and Community  
Development pledges to foster the letter and spirit of the  
law for achieving equal housing opportunity in the District  
of Columbia.*



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## **MISSION**

### ***District of Columbia Department of Housing and Community Development***

The mission of the Department of Housing and Community Development is to be a catalyst in neighborhood revitalization by strategically leveraging public funds with private and non-profit partners for low-to-moderate income DC residents in order to promote the preservation, rehabilitation and development of housing, increase home ownership, and support community and commercial initiatives.

### ***Development Finance Division***

The Development Finance Division within the Department of Housing and Community Development revitalizes communities and promotes economic diversity by providing financial resources to complement those available in the private sector to build and rehabilitate community infrastructure, provide quality and affordable rental and homeownership housing.



## SECTION 1: INTRODUCTION

The District of Columbia Department of Housing and Community Development, (the Department or “DHCD”) administers financing programs for the construction, acquisition and rehabilitation of single and multifamily affordable homeownership, rental housing, tenants first right of purchase, special needs elderly housing and provides assistance for affordable homeowner opportunities. The Department’s Development Finance Division, (DFD) administers these programs for the Department. DFD also provides limited funding for development of community facilities and community based commercial activity.

Many of the Department’s funding sources can be applied for using a consolidated application form. Awards from some of these sources are made under a competitive process using specific funding cycles. This evaluation guide provides an overview of how funding requests for most of these programs are evaluated and processed and replaces the Department's former Application and Program Referral Guide. (The Guide). The Guide, the governing statutes and regulations are the controlling authority in the event of any conflicts with any other written procedures, processes or documents. This program application package contains the following sections:

- Section 1: Introduction
- Section 2: Overview of the Funding Process
- Section 3: General Application Instructions
- Section 4: Guidelines for Applicants
- Section 5: Application Form Instructions
- Section 6: Application Forms

### ***Applicability***

This guide covers the application procedures for the following residential housing financing programs available through the Department:

- Construction Assistance Program (CAP)
- Housing for the Elderly and Development Disabled Program (HoFEDD)
- Multi-Family Rehabilitation Program (MFRP)

These programs are funded through local and federal sources:

- Housing Production Trust Fund (HPTF)
- HOME Investment Partnerships Program (HOME)
- Community Development Block Grant (CDBG)
- Low-Income Housing Tax Credit Program (LIHTC) (Tax Credits)

Staff will review each application to determine the appropriate funding source(s) within DFD for the project. The Department has complete discretion to determine which source will fund an

award. Resources for the Low-Income Housing Tax Credit and other funding sources are allocated to projects during scheduled rounds of competition.

Before submitting an application for funding from any program covered by this Guide, sponsors are encouraged to meet with DFD staff to discuss the proposed development, funding options, processing, and program guidelines.

### ***Vision for Affordable Housing in District***

The Department promotes the production and preservation of housing by providing financial assistance that is complementary to funds available in the private sector. This goal is accomplished through a variety of homeownership, rental, historic preservation and neighborhood revitalization programs. A major component of our mission is the financing of affordable housing. The Department has structured its threshold and evaluation criteria to target projects that meet the following objectives.

***1. Revitalizing Neighborhoods and Targeting Strategic Areas:*** While the District supports redevelopment across the city, various agencies are focusing their funding on certain strategic communities (see page 13). Moreover, to promote neighborhood revitalization in all areas where DHCD will provide funding, we seek evidence of other significant, ongoing investment of resources in the area.

***2. Serving High Public Purpose:*** Applications must demonstrate a strong need for the proposed project along with evidence that the project will contribute to, and not detract from, revitalization of the community and the operation of other properties or businesses in the community. Projects should promote a holistic view of housing communities, including a focus on coordinated community efforts, tenant services and resident empowerment. Additionally, the Department supports projects that will serve the lowest income levels feasible for the longest time and that meet locally identified needs for affordable housing. Finally, DHCD encourages proposals that will promote and encourage local nonprofits, local small disadvantaged business enterprises (LSDBE), and businesses in the development of affordable housing.

***3. Leveraging:*** To maximize the efficient use of District resources, the Department encourages the leveraging of other resources. For purposes of this Request for Proposal, competitive tax credits are considered a District resource.

***4. Production of Quality Development:*** Development teams must demonstrate the capacity to develop quality affordable housing and projects in a timely and comprehensive manner. The Department will evaluate the scope of work, project aesthetics, material selections, amenities, design and costs. Projects that can proceed with the least delay upon funding will receive preference.

## **SECTION 2: OVERVIEW OF THE FUNDING PROCESS**

### ***Application Submissions***

Applications for projects that are subject to the competition will be accepted and reviewed during scheduled, competitive rounds. The Department will schedule and provide a notice of the rounds of competition for the reservation of financing. The schedule will provide the application deadline dates. If needed, additional rounds of competition may be held until all available resources have been reserved. Only projects that meet the threshold requirements set forth in these guidelines, that are submitted by eligible sponsors, and that have complete applications submitted no later than the application deadline will be rated and ranked in any competitive round.

Sponsors and developers are encouraged to meet and discuss proposed projects with Department staff prior to the competitions. Staff will be able to provide preliminary feedback regarding project specifics and may be able to provide suggestions for stronger applications.

Applications must be submitted on the Department's Application Submission Package forms. Information in the application submission kit supplements this Guide and should be reviewed carefully to ensure compliance with these requirements.

### ***Application Review Process***

The application review process includes a review conducted by DHCD staff for basic eligibility requirements. An independent panel will conduct a review of the approved applications to determine compliance with the Department's threshold and eligibility criteria. The panel will forward the results of their review to the Department. The Department will conduct the final review and determination of projects to be considered for funding.

**See the Request for Proposals, issued August 15, 2002, for detailed information on basic eligibility, threshold, and eligibility criteria.**

### ***Project Financing Process***

**1. Reservations:** Sponsors of projects that are considered for funding will receive funding reservation letters. These reservation letters will specify requirements that must be met in order for the projects to be approved for commitment including processing documentation and time frames. The reservation is not a commitment to fund the project and the Department is not obligated to fund the project unless it issues a commitment letter. A reservation may be canceled and an application withdrawn from processing if any of the following occur:

- The loan processing and submission kit requirements as described in this section are not met. This includes a failure to meet the time frames established in each kit.

- The project is changed substantially from the initial submission. A substantial change includes:
  - a reduction in the original score of more than 5%;
  - a significant change in the project’s design, financing or amenities;
  - a material reduction in the project’s income targeting;
  - a change of the project’s sponsor or developer entities; or
  - a change of the project’s site.
- The project is changed so that it no longer meets all threshold requirements.
- The project’s developer, sponsor or owner, or their general partners, files for bankruptcy or is the subject of an involuntary bankruptcy.
- The project is for any reason no longer feasible.
- The project’s developer, sponsor or owner submits false, misleading or incomplete information to the Department.

**2. Kick-off Meeting:** Following the issuance of the reservation letter, the Department will schedule a “kick-off” meeting with the sponsor. The DFD financing team assigned to the project, including underwriting, construction, tax credit, and monitoring staff will be present at the meeting as appropriate. The sponsor should require representatives of the contractor and architect to attend.

If the project has support from District of Columbia Housing Finance Agency (DCHFA) or District of Columbia Housing Authority (DCHA), or other District or federal agencies, a representative of those agencies should also be present at this meeting. Other Departmental staff that may need to attend the kick-off meeting include the Deputy Director of DFD and representatives from the Residential and Community Services Division, Office of Program Monitoring, and Office of the Corporation Counsel (OCC).

The purpose of this meeting is to review the reservation letter and gain a common understanding of its requirements, terms and provisions for further processing of the application. At the kick-off meeting, the Deputy Director or Team Leader will review the requirements and time frames of the loan processing schedule and submission kit processing in detail. The assigned team also will schedule a subsequent meeting with the sponsor to conduct a detailed site visit.

**3. Underwriting and Construction Review:** After a reservation letter is issued, the loan application will be underwritten and detailed construction plans and documents will be reviewed before issuance of a commitment letter.

A. Preliminary Review: A preliminary review may be added before viability review at the discretion of the Department for particularly complicated projects or waived for relatively straightforward projects.

B. Viability Review: During this phase of the review process, sponsors will submit updated application forms along with more detailed construction and underwriting documentation, as specified in the viability submission kit to be supplied at the kick-off meeting. Department staff will review the material and issue a viability report to the sponsor. The viability report will include the Department’s updated underwriting pro

forma and term sheet showing any changes in the anticipated loan amount and conditions based on the findings during the preliminary review. Staff will then proceed to prepare the loan package to submission to the Loan Review Committee (LRC).

Specific milestone dates for completing these reviews and issuing commitment letters are discussed at the kick-off meeting and set in conformance with the Department's submission kit and loan processing system. Documentation requirements for this review period will be included in the attachment to the reservation.

Detailed guidance will be provided to sponsors throughout this process to assist the development team in the preparation of construction plans and underwriting documentation. The architectural requirements for each stage of this review are those defined in the American Institute of Architect's (AIA) publication The Architect's Handbook of Professional Practice. More specifically, the requirements are outlined in the AIA document B162a and in the HUD Minimum Design Standards.

Additionally, other underwriting requirements will be detailed and made clear to all parties early in the process. There may be the involvement of the Water and Sewer Authority, Department of Consumer and Regulatory Affairs, and other agencies, depending on the scope of the projects. Projects in the advanced stages of development will be able to proceed at a much quicker pace. In any event, the Department and sponsors should make every attempt to complete all review requirements within the time frames outlined in the reservation letters.

### ***Final Project Review***

Upon receiving the sponsor's final application and all required documentation, DFD will prepare a project report, including a final underwriting pro forma and updated term sheet. The project report will be scheduled for submission, with recommendation to the LRC for review. After evaluating the recommendations, the LRC will make a final recommendation to the Director who will, at his or her discretion, approve projects for a letter of commitment.

If approved by the Director for funding DFD staff will submit the terms of a proposed commitment letter to OCC for preparation. The sponsor, working with the project manager, must confirm the business terms included in the proposed commitment letter and identify any remaining issues to be resolved within three days of the date of the proposed commitment letter. The OCC attorney, with DFD staff, will finalize the commitment letter and begin preparing the loan documents.

### ***Initial Closing***

Along with the commitment letter, the sponsor will receive a loan closing submission checklist. The checklist specifies the pre-closing documents that the sponsor must provide and the closing documents the sponsor's attorney must provide before the financing will be closed. The sponsors will have three days to accept the commitment letter.

The Department's standard loan/grant conditions are detailed in the commitment letter. The sponsor should also review and understand the Department's draw and requisition requirements, particularly those affecting the initial draw. Staff will be available to meet and review the draw procedures. When all of the documents identified in the checklist have been submitted, reviewed and approved, the Department and OCC staff will schedule an initial closing date. The Department will move expeditiously to initial closing. The initial closing can usually be scheduled within four weeks of OCC receipt, review and approval of all closing documents. Accepting the Department's closing documents without modification will expedite the closing process.

Following the closing, Department staff will schedule a servicing meeting with the sponsor. This meeting is intended to ensure that all parties fully understand how the loan will be repaid and other conditions of the commitment are met.

### ***Construction or Rehabilitation Period***

Construction or rehabilitation of the project will normally commence once initial closing is complete. Prior to the start of construction or rehabilitation, the sponsor and general contractor must participate in a pre-construction conference with the Development construction staff responsible for the project, including the DFD architectural representative, finance and project managers, and representatives from Office of Program Monitoring. The purpose of this meeting is to review fully all construction period procedures such as inspections by Department staff, draw requisition and disbursement procedures and change order procedures and monitoring requirements. All other project lenders should be present at this meeting to ensure a smooth inspection and draw process.

**Compliance and Monitoring:** The U.S. Department of Housing and Urban Development (HUD) and the District of Columbia regulations require DHCD to monitor projects funded with federal and/or District of Columbia funds for compliance with various federal and District regulations. Applicants receiving financial assistance from DHCD could be subject to any or all of the following laws and regulations:

- Community Development Block Grant (CDBG), including all applicable Office of Management and Budget (OMB) Circulars, such as A-110, and A-122, and A-133
- HOME Investment Partnerships Program (including long-term affordability periods)
- Housing Production Trust Fund regulations (including continuous affordability requirements)
- Environmental Reviews - 24 CFR Pt 85
- Affirmative Action Program
- Section 3 - (24 CFR Part 135)
- First Source Employment Agreements
- Registration with DC Apprenticeship Council
- American with Disabilities Act of 1990
- Lead Safe Housing Rule (Lead Based Paint)
- Section 504 of Rehabilitation Act of 1973, as amended
- Uniform Relocation Act or District of Columbia Relocation Assistance provisions (10 DCMR Chapter 22)
- Freedom of Information Act
- Davis Bacon and related Acts
- Conflict of Interest (24 CFR § 570.611 and

(Local Small Disadvantaged Business Enterprises LSBDE – Mayor’s Order 85-85)

- 24 CFR §§ 84.42 and 85.36)
- Fair Housing (24 CFR Part 14 et. al)
- LIHTC (§ 42 of IRS Code of 1986)

The project also will be subject to DHCD’s monitoring requirements. See the Application Form Exhibit W for more information.

**Early Start:** At the sponsor’s request, the Department may permit work on the project to begin prior to closing of the Department’s financing. An early start of the construction or rehabilitation may be authorized only after issuance of the commitment letter. Approval for an early start will be evidenced by written approval issued by DFD. Work may begin when the conditions of the early start letter are met and the pre-construction conference has been held. The Department will not fund any costs incurred for work performed under an early start unless the loan is eventually closed.

### ***Construction Completion***

After the completion of construction or rehabilitation, sponsors must complete a certification of costs incurred that has been prepared by an independent certified public accountant. The cost certifications will be reviewed by DFD staff within 90 days of receipt provided all construction close out documents and change order requests have been submitted before or at the same time that the cost certification is received. A final determination of funding proceeds letter will be prepared and sent to the sponsor for signature.

### ***Processing LIHTC Requests***

If projects include tax credits and other financing provided by the Department, the following requirements apply in addition to the processing steps previously outlined. However, if only tax credits are requested, only the following procedures are required. The specific requirements for the Low Income Housing Tax Credit program are set forth in detail in the Plan for the Allocation of Low-Income Housing Tax Credits in District (the Qualified Allocation Plan). The following information is a summary only and applicants should review the Qualified Allocation Plan prior to submitting an application for tax credits.

**1. Reservations:** Following approval, sponsors will, depending on the timing of the funding round, receive tax credit reservation letters. Reservation letters are conditional commitments to allocate tax credits. The reservation will be for only those tax credits that, in the sole determination of the Department, are necessary for the financial feasibility of the project and its viability as a qualified low-income housing project. Each reservation will be further subject to a number of conditions. These conditions include the submission of evidence of timely completion of the project and documentation certifying compliance with federal requirements. Owners also will be required to verify project costs both at the time of allocation and again at the time the project is placed in service. A reservation may be cancelled and the project withdrawn from processing for the same reasons discussed previously in the loan reservation section.

**2. Allocations:** Sponsors either must place projects in service within the year in which the tax credit is allocated or qualify for a binding conditional commitment to carryover the tax credit for up to two years (a Carryover Allocation). To qualify for a Carryover Allocation, sponsors must meet all conditions in the reservation. Sponsors also must incur at least 10% of the reasonably expected basis at the later of November 15 of the year the Carryover Allocation is made or within five months of the date of the Carryover Allocation. If applicable, the Department expects sponsors to meet the 10% test by the issuance of the Department's loan commitment. To keep the Carryover Allocation and receive an IRS Form 8609 (as discussed below); the project must be placed in service by the end of the second year following the Carryover Allocation.

At the time buildings are placed in service and all required post-completion documentation is received and reviewed, the Department will issue the IRS Forms 8609 certifying the final amount of tax credits allocated to each building in the project. A Form 8609 will be needed to claim the tax credit for any building in the project. Before the IRS Form 8609 will be issued, the Department must receive and review the current organizational documents for the sponsor and a recorded extended use covenant and additional documentation concerning placed-in-service dates, project costs, eligible basis, and syndication of the project. If a cost certification is required for the project, the Department will not issue Form 8609 until it has completed its review of the cost certification and a final determination of funding proceeds has been signed and returned by the sponsor.

Prior to issuance of the Form 8609, the Department also will undertake a final evaluation of projects to determine the amount of tax credit needed to make developments feasible. Only the amount needed for financial feasibility and viability as a qualified low-income housing project throughout the compliance period will be allowed. Any additional tax credit previously allocated to projects will be recaptured.

## SECTION 3: GENERAL APPLICATION INSTRUCTIONS

### ***Introduction***

The District of Columbia Department of Housing and Community Development (DHCD or “the Department”) administers financing programs for the construction, acquisition and rehabilitation of multifamily rental and for-sale housing. Many of the Department’s multifamily funding sources can be applied for using this consolidated application form. These sources include the following:

- Housing Production Trust Fund (HPTF)
- Community Development Block Grant (CDBG)
- HOME Investment Partnership Program (HOME)
- Low Income Housing Tax Credit Program (Tax Credits)

Developers may apply for a specific source of funding, but Department staff will review each application and (with the exception of LIHTCs) may recommend a substitute funding source(s) if doing so will not negatively impact the project.

### ***Submission Requirements***

**1. Due Dates:** The Department must receive completed applications on or before 4:00 PM Eastern Standard Time, Tuesday, October 15, 2002, at DHCD, Development Finance Division, 801 North Capitol Street, N.E., 2nd Floor Reception Desk, Washington, DC 20002. DHCD will set the time/date stamp clock used to register applications and will monitor the timeliness of applications. Applicants may use standard or express mail services. However, the Department is not responsible for mail delivery and will consequently not accept applications received after the due date and time.

**2. Form of Submissions:** Proposals for funding may be submitted to DHCD for a specific funding source or applicants may leave the choice of funding source up to DHCD. DHCD reserves the right to substitute one funding source for another in situations where the Department determines that doing so would maximize the public benefit to be derived without negatively impacting the development program.

*Applicants must submit **four copies** of the application* – an original, in a three-ring binder, and three stapled copies. DHCD will not make copies for applicants. Application documents, other than maps and drawings, must be submitted using a 12 point type size and on 8 ½ x 11 paper. Documentation fully demonstrating compliance with the eligibility requirements at the time of application must be submitted with the application in order to receive further consideration. Any applications lacking such documentation will be returned to the applicant without further consideration.

The following components, in the order listed, *with any attachments*, must be included in the application submission. All application forms and attachments are contained in Section 6 of this package.

DFD Financing Application (Form 202)

- A. General Information
- B. Development Team Information
- C. Community Revitalization Information
- D. Project Income (rental projects and community facilities)
- E. Project Expenses
- F. Uses of Funds
- G. Sources of Funds
- H. Low Income Housing Tax Credit (if Applicant is applying for LIHTC)
- I. Project Summary Information
- J. 20-Year Operating Proforma
- K. Monitoring Certification
- L. Signature Forms

Management Agent's Qualifications – Rental (Form 209)

Summary Cost Estimate (Form 212)

Exhibits and Certifications (Including Monitoring Certification)

Note: The Detailed Cost Estimate (Form 215), included with the Application, must be completed by the final application deadline for projects selected for underwriting. It is not required as part of this RFP Preliminary Application for funding.

The Summary Cost Estimate Form 212 is required as part of the RFP Preliminary Application for funding.

An individual authorized to obligate your organization *must* sign the Application Summary Sheet. By signing the application, the authorized person is also attesting to the truthfulness of the information supplied in the application. **The “Monitoring Certification Form” must also be signed. Unsigned applications will not be accepted.**

Additional information on application submission can be found in the Requests for Proposal.